

Message Text

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ACTION ARA-14

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 ICA-11
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
PA-01 NSC-05 SS-15 STR-07 CEA-01 /129 W
-----047962 081516Z /66

R 071958Z APR 78
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 8815
INFO USMISSION USUN NEW YORK
AMEMBASSY BUENOS AIRES
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: ECON, EFIN, EINV, PINY, SHUM
SUBJ: CHILE AND THE U.S. BANKS III: NEW LOANS

REF: (A) SANTIAGO 2128; (B) SANTIAGO 1463; (C) SANTIAGO 835

1. BEGIN UNCLASSIFIED. PRESIDENT OF CHILE CENTRAL BANK, ALVARO BARDON, SIGNED TODAY IN LONDON \$210 MILLION CREDIT WITH GROUP OF 49 BANKS LED BY MORGAN GUARANTY. CO-MANAGERS OF CREDIT ARE CHASE MANHATTAN, CITICORP, BANK OF TOKYO AND DRESDNER BANK.

2. CENTRAL BANK STATEMENT DESCRIBES THE CREDIT AS THE MOST IMPORTANT AND LARGEST CONCEDED TO CHILE IN THE LAST DECADE.
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WITH \$150 MILLION ASKED FOR BY THE GOC, THE CREDIT WAS OVER-SUBSCRIBED TO \$210 MILLION. ENRIQUE TASSARA, HEAD OF FOREIGN FINANCE OF CENTRAL BANK, TOLD US THAT OVER-SUBSCRIPTION IS RECOGNITION BY INTERNATIONAL FINANCIAL MARKET OF CHILE'S PAYMENTS RECORD AND AN EXPRESSION OF CONFIDENCE IN CHILEAN DEVELOPMENT. MORGAN'S ATTEMPTED TO PERSUADE GOC TO SIGN UP FOR \$225 MILLION, FOLLOWING

STRONG OFFERINGS BY REGIONAL U.S. BANKS AND SEVERAL ARAB AND SPANISH BANKS. GOC DECIDED TO HOLD AT \$210 MILLION, ACCORDING TO TASSARA.

3. LOAN TERMS FOR THIS SYNDICATED CREDIT ARE TWO YEARS GRACE, SIX YEARS REPAYMENT AT LIBOR PLUS 1-3/4 PERCENT. AN ADDITIONAL CREDIT TO CENTRAL BANK BY BANK OF TOKYO FOR \$20 MILLION, WAS SIGNED ON MARCH 27. TERMS FOR THIS CREDIT ARE TWO YEARS GRACE, SIX YEARS REPAYMENT AT 7.1 PERCENT INTEREST. BANK OF TOKYO DECISION TO MAKE DIRECT LOAN AS WELL AS TO COMANAGE THE MORGAN GUARANTY SYNDICATE WAS DESCRIBED BY TASSARA AS EFFORT TO ESTABLISH DIRECT JAPANESE PRESENCE IN THE CHILEAN FINANCIAL MARKET. BANK OF TOKYO IS COOPERATING WITH FUJIBANK AND BANK OF YOKOHAMA IN EFFORTS TO OBTAIN A LARGER SHARE OF CHILEAN BORROWING.

4. CREDIT TO CORFO OF \$90 MILLION IS TO BE SIGNED DURING WEEK OF APRIL 24, UNDER SAME TERMS AS MORGAN GUARANTY SYNDICATED CREDIT.

5. A DIRECT CREDIT OF \$55 MILLION TO BANCO DEL ESTADO NOW IN PRIVATE SYNDICATION. END UNCLASSIFIED.

6. BEGIN LIMITED OFFICIAL USE. COMMENT: MORGAN, TOKYO AND "BANCO DEL ESTADO" CREDITS THROUGH DOMESTIC RELENDING ARE DESIGNED TO LOWER INTEREST RATES, AND THUS STIMULATE LIMITED OFFICIAL USE

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ECONOMIC ACTIVITY. GOC HOPES THEREBY TO CREATE 200,000 NEW JOBS THIS YEAR, IN ACCORDANCE WITH NEW PRIORITIES SET IN PRESIDENT PINOCHET'S SPEECH OF APRIL 5 (SEPTTEL). ON THE INTERNATIONAL FRONT, THIS NEW INDEBTEDNESS FORMS BASIS FOR GOC PROJECTION OF A BOP SURPLUS FOR 1978 IN EXCESS OF \$200 MILLION. AS WITH PAST CREDITS, THESE MAY BE CONSIDERED AS A FORM OF REFINANCING OF THE DEBT INHERITED BY PRESENT FROM PAST REGIMES, REPLACING RENEGOTIATION WITH CREDITOR GOVERNMENTS THROUGH THE PARIS CLUB. END LOU. LANDAU

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANK SERVICES, LOANS, CREDIT AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SANTIA02581
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780152-0734
Format: TEL
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780480/aaaacqdz.tel
Line Count: 104
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9bf934b4-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 SANTIAGO 2128, 78 SANTIAGO 1463, 78 SANTIAGO 835
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3039941
Secure: OPEN
Status: NATIVE
Subject: CHILE AND THE U.S. BANKS III: NEW LOANS
TAGS: ECON, EFIN, EINV, SHUM, CI, CHILE CENTRAL BANK, (BARDON, ALVARO)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/9bf934b4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014